

Mahindra & Mahindra

Refer to important disclosures at the end of this report

Commencing the electric UV journey with XUV400

- We attended M&M's EV day, where the company re-iterated its future EV strategies. The recently showcased electric XUV400 model has been developed at an investment of Rs5-6bn. The model features a superior range and acceleration in comparison to peers in the non-luxury segment. Bookings and dispatches are expected to commence in Q4FY23.
- Post XUV400 launch, four more electric models under XUV and BE brands, based on a dedicated platform (INGLO), are scheduled for launch over December 2024 to October 2026. Investments relating to the platform and model development are expected at an aggregate of Rs100bn over FY22-27. M&M will collaborate with Volkswagen for components such as electric drivetrain, battery system, and battery cells.
- We remain positive on M&M due to its sales upcycle across segments and a large order book in PVs (270,000+ units). We have raised our FY23-25E EPS estimates by 3-7%, factoring an increase in volume assumptions.
- We have built in FY22-25E revenue/earnings CAGRs at 23%/21%. We re-affirm Buy with a revised SOTP value of Rs1,490 (Rs1,390 earlier), based on 12x standalone Sep'24E EPS (DCF-based) and the value of subsidiaries/investments at Rs658/share.

Key Takeaways from the Analyst Meet

- M&M has unveiled electric XUV400**, with best-in-class acceleration at 8.3 seconds for 0-100km and range of 456km. The model is equipped with connectivity features and multiple drive modes. XUV400, for the most part, looks similar to its ICE-powered sibling (XUV300), but it gets some EV-specific touches. At 4.2meter length, it is longer than XUV300, as EVs do not get any tax benefits for being under four meters. The model has been developed at an investment of Rs5-6bn, which includes cost of platform modification and electrification.
- The announcement of model pricing and order bookings are expected in January 2023. The model is to be launched in a staggered manner, with 16 cities in Phase 1. The model is likely to compete with both B and C segment SUVs (refer Exhibit 1).
- New dedicated EV platform – INGLO:** The new platform would include the use of blade and prismatic batteries with capacity of 60-80kWH, fast charging up to 175kWH allowing 80% charge in <30 minutes, and output of 170-250kWH to support acceleration of 0-100kmph under six seconds and would allow variable lengths between 4.3-4.8 meters. Vehicles developed off this platform can be obtained with optional all-wheel drive (AWD), multiple drive modes, advanced driver-assistance system (ADAS), and the capability to handle L2+ autonomous driving.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	446,299	574,460	817,413	961,781	1,065,760
EBITDA	69,575	70,423	97,036	117,048	131,022
EBITDA Margin (%)	15.6	12.3	11.9	12.2	12.3
APAT*	35,064	37,809	53,049	68,307	77,591
EPS (Rs)*	28.2	30.4	42.7	54.9	62.4
EPS (% chg)*	37.8	7.8	40.3	28.8	13.6
ROE (%)*	19.0	19.2	22.0	23.2	21.7
P/E (x)*	22.9	21.3	15.2	11.8	10.4
EV/EBITDA (x)*	11.2	10.8	7.6	6.0	4.9
P/BV (x)*	4.6	3.7	3.0	2.5	2.1

Source: Company, Emkay Research. *Relates to core business excluding dividends and investment for subsidiaries

CMP	Target Price
Rs 1,297 as of (September 12, 2022)	Rs 1,490 (▲) 12 months
Rating	Upside
BUY (■)	14.9 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	3.1/5.6
Target Price change (%)	7.2
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	53.1	65.9
Consensus	53.6	67.3
Mean Consensus TP (12M)	Rs 1,388	

Stock Details

Bloomberg Code	MM IN
Face Value (Rs)	5
Shares outstanding (mn)	1,243
52 Week H/L	1,366 / 671
M Cap (Rs bn/USD bn)	1,612 / 20.28
Daily Avg Volume (nos.)	4,142,781
Daily Avg Turnover (US\$ mn)	60.7

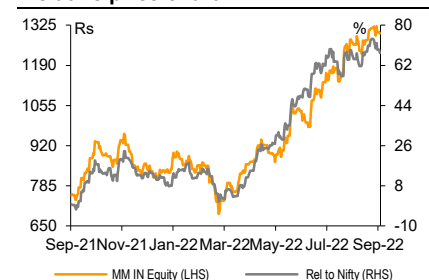
Shareholding Pattern Jun '22

Promoters	18.9%
FIIIs	36.8%
DIIIs	28.1%
Public and Others	16.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	25	77	73
Rel. to Nifty	2	13	64	67

Relative price chart



Source: Bloomberg

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Key takeaways from the Analyst Meet (continued)

- **M&M will sell EVs under two brands – XUV and BE.** The first car, XUV.e8 will be launched in India in December 2024, while XUV.e9 will arrive in April 2025. BE.05 will have its market debut in October 2025 and BE.06 will be launched in October 2026 (*refer Exhibit 2*). Design inputs for these vehicles are being received from India, UK, and Italy centers.
- **Led by multiple products, aspirational EV volume target by FY27 stands at 200,000 units, which implies 30% penetration.**
- **M&M will collaborate with Volkswagen** for components for INGLO platform. Volkswagen is expected to supply components such as electric drivetrain, battery system, and battery cells for 1mn+ units over the lifetime of the platform.
- **Total investment in the E-PV entity is expected to be Rs100bn**, staggered over FY22/23 at Rs20bn, FY24 at Rs20bn, and the remaining Rs60bn over FY25-27. M&M plans to meet a part of the funding over FY24-27 directly or through debt/third-party investors. British International Investment Plc (BII) infusion would be at Rs19.25bn. The Rs100bn investment would cover cost of development of platform and four models.
- On upcoming powertrains, M&M's management has indicated that it will not venture into hybrids and will focus only on EVs.

Exhibit 1: M&M electric XUV400: Scores over B and C segment peers on performance and range

OEM	Model	Ex-showroom price	Battery size	Range (km; ARAI)	Power	Torque	Acceleration (0-100kms)	Length (mm)	Estimated charging time
Mahindra	XUV 400		39.4kW	456		310Nm	8.3	4,200	13 hours (0 to 100%)
Tata	Nexon EV Prime	1,499,000	30.2kW	312	129 PS	245Nm	9.9	3,993	9 hours (10% to 90%)
Tata	Nexon EV Max	1,834,000	40.5kW	437	143PS	250Nm	9.0	3,993	15 hours (10% to 100%)
MG	ZS EV (Exclusive)	2,588,000	50.3kW	461	177PS	280Nm	8.5	4,323	18-19 hours (10% to 100%)
Hyundai	Kona	2,384,000	39.2kW	452	136PS	395Nm	9.7	4,180	19 hours (0 to 100%)

Source: Industry data, Emkay Research

Exhibit 2: Multiple models to be launched on INGLO platform; First four models expected between December 2024 and October 2026

Source: Company, Emkay Research

Exhibit 3: Key assumptions; Expect revenue CAGR of 23% over FY22-25E

	FY21	FY22	FY23E	FY24E	FY25E	CAGR % (FY22-25E)
Volumes (units)						
Domestic tractors	343,833	337,052	364,016	389,497	416,762	7
YoY %	17.8	(2.0)	8.0	7.0	7.0	
Domestic PVs	157,215	225,895	371,698	427,968	470,650	28
YoY %	(15.9)	43.7	64.5	15.1	10.0	
Domestic CVs	156,159	177,117	251,870	282,298	305,039	20
YoY %	(21.6)	13.4	42.2	12.1	8.1	
Domestic 3Ws	16,897	30,079	49,630	59,556	63,130	28
YoY %	(70.9)	78.0	65.0	20.0	6.0	
Total Domestic	674,104	770,143	1,037,214	1,159,320	1,255,581	18
YoY %	(8.4)	14.2	34.7	11.8	8.3	
Exports	29,015	50,156	53,912	58,571	63,635	8
YoY %	(21.4)	72.9	7.5	8.6	8.6	
Total Sales	703,119	820,299	1,091,126	1,217,891	1,319,216	17
YoY %	(9.1)	16.7	33.0	11.6	8.3	
Realizations (Rs/unit)	634,741	700,305	749,147	789,710	807,874	5
YoY %	9.4	10.3	7.0	5.4	2.3	
Revenue (Rs mn)	446,299	574,460	817,413	961,781	1,065,760	23
YoY %	(0.5)	28.7	42.3	17.7	10.8	

Source: Company, Emkay Research

Exhibit 4: Change in estimates

Rs mn	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volume (units)	1,004,728	1,091,126	8.6	33.0	1,118,539	1,217,891	8.9	11.6	1,199,729	1,319,216	10.0	8.3
Revenue	745,671	817,413	9.6	42.3	849,431	961,781	13.2	17.7	930,134	1,065,760	14.6	10.8
EBIDTA	94,387	97,036	2.8	37.8	111,270	117,048	5.2	20.6	123,284	131,022	6.3	11.9
<i>EBIDTA margin (%)</i>	<i>12.7</i>	<i>11.9</i>	<i>(79) bps</i>	<i>(39) bps</i>	<i>13.1</i>	<i>12.2</i>	<i>(93) bps</i>	<i>30 bps</i>	<i>13.3</i>	<i>12.3</i>	<i>(96) bps</i>	<i>12 bps</i>
Core PAT	51,048	53,049	3.9	40.3	63,947	68,307	6.8	28.8	71,753	77,591	8.1	13.6
Adj. PAT	63,996	65,997	3.1	28.3	77,543	81,903	5.6	24.1	86,029	91,867	6.8	12.2
EPS (Rs)	51.5	53.1	3.1	28.3	62.4	65.9	5.6	24.1	69.2	73.9	6.8	12.2

Source: Company, Emkay Research

Exhibit 5: SOTP valuation at Rs1,490 implies 15% upside

Components (Rs bn)	Basis of Valuation	Sep'24E Implied P/E (x)	Equity value	M&M stake (%)	Pro-rata value	Hold-co discount (%)	Contr. To SOTP	SOTP (Rs/share)	SOTP breakdown (%)
Tractor division	DCF	17	545		545		545	439	30
CV and 3W divisions	DCF	18	278		278		278	223	15
PV-ICE division	DCF	8	204		204		204	164	11
Standalone business		12	1,028		1,028		1,028	827	56
PV-EV division	Valuation at 40% discount to average pre-money valuation OR Valuation at 30% discount to Tata Motors' E-PV valuation	2.6x FY27E EV/S (TTM) discounted to Sep'24E	285		285		285	229	15
Tech Mahindra	TP (Emkay)		1,205	25.5	308	20	246	198	13
M&M Financial Services	TP (Emkay)		259	52.2	135	20	108	87	6
Other Subs/investments	Current m-cap/ investment value						179	144	10
Total							1,846	1,485	100
Total (Rounded off)								1,490	

Source: Company, Emkay Research; Note: Holdco discount calculated based on factors such as management control, size of free float, listed/unlisted, etc.

Exhibit 6: SOTP change

Components	New SOTP (Rs/share)	Earlier SOTP (Rs/share)	(Change %)
Tractor division	439	432	2
CV and 3W divisions	223	170	31
PV - ICE division	164	141	17
PV - EV division	229	229	0
Core business (S/A + E-PV)	1,056	972	9
Tech Mahindra	198	198	-0
M&M Financial Services	87	87	0
Other Subs/investments	144	132	9
Total	1,490	1,390	7

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	446,299	574,460	817,413	961,781	1,065,760
Expenditure	376,724	504,037	720,377	844,733	934,738
EBITDA	69,575	70,423	97,036	117,048	131,022
Depreciation	23,699	24,511	27,651	30,470	33,436
EBIT	45,876	45,912	69,385	86,579	97,585
Other Income	11,995	20,759	19,571	23,311	25,411
Interest expenses	3,963	2,230	2,117	2,123	2,118
PBT	53,907	64,441	86,838	107,767	120,878
Tax	13,193	13,002	20,841	25,864	29,011
Extraordinary Items	(30,873)	(2,087)	(410)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	9,842	49,352	65,588	81,903	91,867
Adjusted PAT	40,714	51,439	65,997	81,903	91,867

Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	5,974	5,983	5,983	5,983	5,983
Reserves & surplus	343,536	383,627	432,715	494,142	563,042
Net worth	349,510	389,610	438,698	500,125	569,025
Minority Interest	0	0	0	0	0
Loan Funds	83,584	70,490	70,669	70,835	70,394
Net deferred tax liability	14,497	17,008	17,442	17,981	18,585
Total Liabilities	447,590	477,108	526,809	588,941	658,005
Net block	120,113	145,486	211,809	236,081	253,592
Investment	217,826	251,098	286,098	316,098	361,098
Current Assets	216,451	224,537	293,915	352,675	396,463
Cash & bank balance	63,952	36,505	25,606	36,979	46,636
Other Current Assets	26,570	36,016	51,249	60,300	66,819
Current liabilities & Provision	168,055	194,195	275,962	326,862	363,149
Net current assets	48,397	30,342	17,954	25,814	33,315
Misc. exp	0	0	0	0	0
Total Assets	447,590	477,108	526,809	588,941	658,005

Cash Flow

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	41,913	43,682	67,268	84,456	95,467
Other Non-Cash items	0	0	0	0	0
Chg in working cap	35,866	4,967	(4,616)	(2,219)	(1,382)
Operating Cashflow	83,942	50,178	75,029	91,259	102,281
Capital expenditure	(33,113)	(31,859)	(54,741)	(54,741)	(50,000)
Free Cash Flow	50,829	18,319	20,289	36,518	52,281
Investments	(120,585)	(29,019)	(35,000)	(30,000)	(45,000)
Other Investing Cash Flow	8,338	17,289	0	0	0
Investing Cashflow	(133,365)	(22,830)	(70,170)	(61,430)	(69,589)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	42,115	(13,168)	179	166	(440)
Dividend paid (incl tax)	(2,936)	(10,891)	(16,499)	(20,476)	(22,967)
Other Financing Cash Flow	35,869	(25,943)	2,679	3,976	2,491
Financing Cashflow	71,010	(54,795)	(15,759)	(18,456)	(23,034)
Net chg in cash	21,587	(27,447)	(10,899)	11,373	9,658
Opening cash position	42,365	63,952	36,505	25,606	36,979
Closing cash position	63,952	36,505	25,606	36,979	46,636

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	15.6	12.3	11.9	12.2	12.3
EBIT Margin	10.3	8.0	8.5	9.0	9.2
Effective Tax Rate	24.5	20.2	24.0	24.0	24.0
Net Margin	9.1	9.0	8.1	8.5	8.6
ROCE	10.3	10.8	13.3	14.8	14.8
ROE	11.7	13.9	15.9	17.4	17.2
RoIC	29.8	30.1	30.7	30.7	31.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	32.7	41.4	53.1	65.9	73.9
CEPS	51.8	61.1	75.3	90.4	100.8
BVPS	281.1	313.4	352.9	402.3	457.7
DPS	8.4	11.1	13.3	16.5	18.5

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	39.6	31.3	24.4	19.7	17.6
P/CEPS	25.0	21.2	17.2	14.3	12.9
P/BV	4.6	4.1	3.7	3.2	2.8
EV / Sales	3.6	2.7	1.9	1.6	1.4
EV / EBITDA	22.8	22.3	15.9	12.9	11.1
Dividend Yield (%)	0.6	0.9	1.0	1.3	1.4

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)
Net Debt/EBIDTA	(0.4)	(0.6)	(0.7)	(0.9)	(1.2)
Working Cap Cycle (days)	(12.7)	(3.9)	(3.4)	(4.2)	(4.6)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(0.5)	28.7	42.3	17.7	10.8
EBITDA	9.6	1.2	37.8	20.6	11.9
EBIT	15.0	0.1	51.1	24.8	12.7
PAT	33.0	401.5	32.9	24.9	12.2

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Revenue	117,648	133,054	152,428	171,240	196,126
EBITDA	16,315	16,598	18,048	19,455	23,410
EBITDA Margin (%)	13.9	12.5	11.8	11.4	11.9
PAT	9,351	16,867	13,532	11,672	14,711
EPS (Rs)	7.5	13.6	10.9	9.4	11.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	18.9	18.9	18.9	18.9	18.9
FII	38.9	37.8	37.5	36.2	36.8
DII	25.4	26.3	27.0	27.9	28.1
Public and Others	16.9	17.1	16.6	17.0	16.2

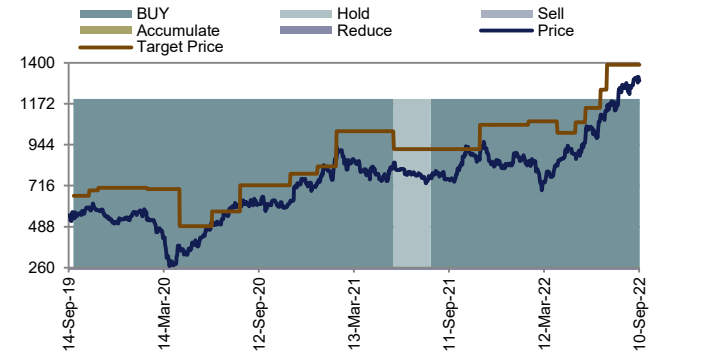
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Aug-22	1,236	1,390	12m	Buy	Raghunandhan NL
10-Jul-22	1,134	1,390	12m	Buy	Raghunandhan NL
28-Jun-22	1,112	1,250	12m	Buy	Raghunandhan NL
30-May-22	998	1,150	12m	Buy	Raghunandhan NL
11-May-22	887	1,070	12m	Buy	Raghunandhan NL
06-Apr-22	828	1,010	12m	Buy	Raghunandhan NL
24-Feb-22	796	1,075	12m	Buy	Raghunandhan NL
10-Feb-22	853	1,075	12m	Buy	Raghunandhan NL
09-Nov-21	892	1,055	12m	Buy	Raghunandhan NL
07-Aug-21	758	920	12m	Buy	Raghunandhan NL
02-Jul-21	783	920	12m	Hold	Raghunandhan NL
18-Jun-21	782	920	12m	Hold	Raghunandhan NL
01-Jun-21	806	920	12m	Hold	Raghunandhan NL
30-May-21	846	920	12m	Hold	Raghunandhan NL
28-May-21	846	920	12m	Hold	Raghunandhan NL
07-Feb-21	866	1,020	12m	Buy	Raghunandhan NL
02-Jan-21	732	824	12m	Buy	Raghunandhan NL
11-Nov-20	633	783	12m	Buy	Raghunandhan NL
11-Oct-20	633	718	12m	Buy	Raghunandhan NL
28-Sep-20	615	718	12m	Buy	Raghunandhan NL
28-Aug-20	631	718	12m	Buy	Raghunandhan NL
07-Aug-20	600	718	12m	Buy	Raghunandhan NL
29-Jun-20	507	572	12m	Buy	Raghunandhan NL
14-Jun-20	508	572	12m	Buy	Raghunandhan NL
15-May-20	381	490	12m	Buy	Raghunandhan NL
04-May-20	357	490	12m	Buy	Raghunandhan NL
13-Apr-20	363	490	12m	Buy	Raghunandhan NL
27-Feb-20	494	697	12m	Buy	Raghunandhan NL
11-Feb-20	524	697	12m	Buy	Raghunandhan NL
09-Feb-20	569	705	12m	Buy	Raghunandhan NL
30-Jan-20	568	705	12m	Buy	Raghunandhan NL
27-Dec-19	530	705	12m	Buy	Raghunandhan NL
27-Nov-19	540	705	12m	Buy	Raghunandhan NL
09-Nov-19	580	705	12m	Buy	Raghunandhan NL
01-Nov-19	590	690	12m	Buy	Raghunandhan NL
30-Oct-19	617	690	12m	Buy	Raghunandhan NL
23-Oct-19	592	690	12m	Buy	Raghunandhan NL
01-Oct-19	557	660	12m	Buy	Raghunandhan NL
26-Sep-19	567	660	12m	Buy	Raghunandhan NL
23-Sep-19	565	660	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	5.03	5.03	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.00	NA	0	0.00	0
Ashok Leyland	0.23	0.26	14%	3	5.09	0
Atul Auto	0.00	0.03	NA	3	0.63	0
Bajaj Auto	0.47	0.34	-29%	-13	6.68	0
Bharat Forge	0.19	0.11	-43%	-8	2.15	0
Eicher Motors	0.46	0.46	0%	0	9.05	0
Escorts	0.00	0.03	NA	3	0.65	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero MotoCorp	0.35	0.38	8%	3	7.46	0
Mahindra & Mahindra	1.17	1.20	3%	3	23.85	0
Maruti Suzuki India	1.12	1.15	3%	3	22.82	0
Minda Industries*	0.00	0.00	NA	0	0.00	0
Motherson Sumi Wiring India	0.00	0.00	NA	0	0.00	0
Samvardhana Motherson International	0.00	0.00	NA	0	0.00	0
Tata Motors	0.74	0.75	1%	1	14.86	0
Tata Motors DVR*	0.10	0.12	23%	2	2.38	0
TVS Motor	0.22	0.22	0%	0	4.39	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	8-Sep-21	10-Mar-22	9-Jun-22	8-Aug-22	9-Sep-22
EAP - Auto & Auto Ancillaries	100.0	118.9	119.6	138.6	156.0	159.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	118.3	118.7	138.2	155.7	158.7

*Performance measurement base date 1st April 2019

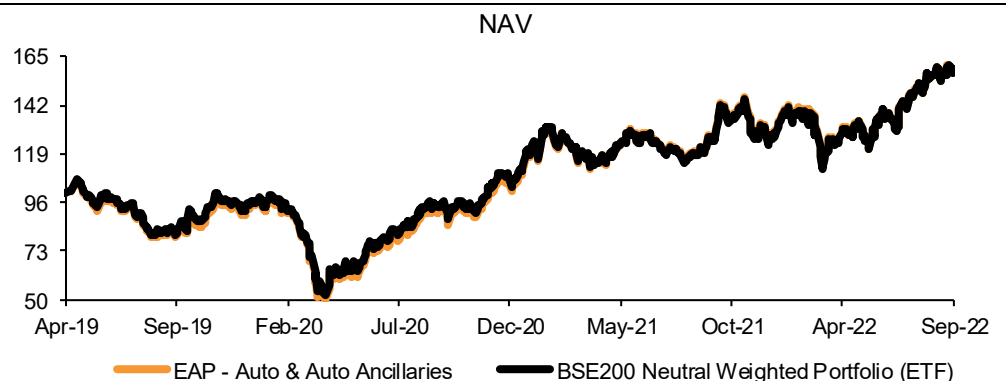
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	2.2%	15.0%	33.3%	34.0%
BSE200 Neutral Weighted Portfolio (ETF)	1.9%	14.9%	33.7%	34.1%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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